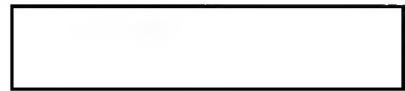


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

State Dept. review completed

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30 April 1970

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Approved For Release 2003/05/29 : CIA-RDP79T00975A016100080001-4

Approved For Release 2003/05/29 : CIA-RDP79T00975A016100080001-4

No. 0103/70
30 April 1970

Central Intelligence Bulletin

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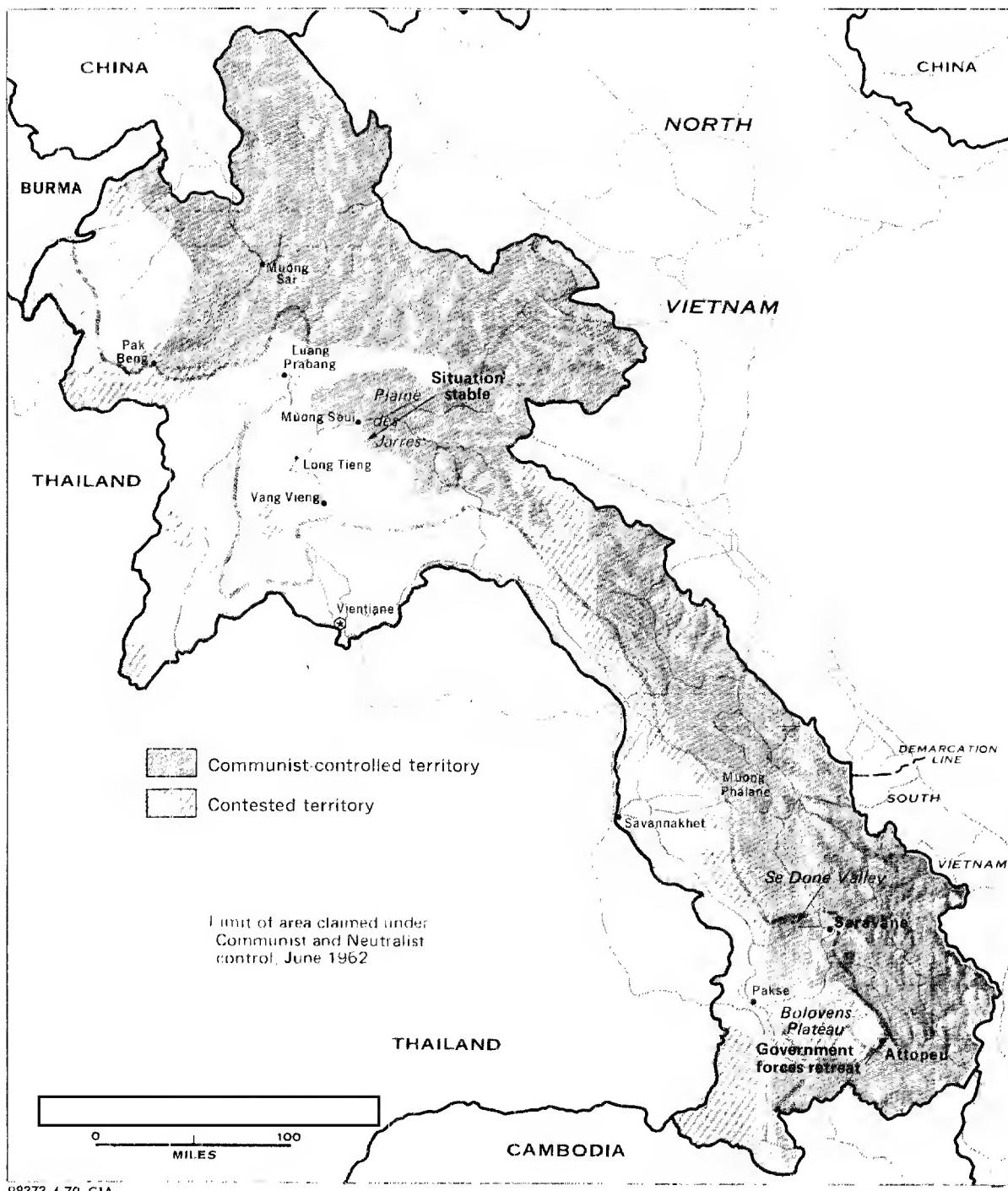
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Laos: Current Situation



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Laos: The first significant military activity in southern Laos in more than a year took place yesterday when the Communists attacked the provincial capital of Attopeu.

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[redacted] the commander of the 600-man government force in Attopeu decided to abandon the town following a heavy mortar attack. Casualties were reported to be very heavy.

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Although the military importance of Attopeu is minimal, its loss will be a severe political and psychological setback to the government. Along with the city of Saravane, which is just northeast of the Bolovens Plateau, Attopeu has long figured prominently in the war of nerves in southern Laos. It has been attacked before, but the Communists have never made a substantial effort to capture it; they have clearly had the capability to do so, however.]

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[redacted] The Communists have not mounted a major offensive in this area of Laos since early 1968, when North Vietnamese forces recaptured the Se Done Valley and virtually surrounded the provincial capitals of Saravane and Attopeu. Major North Vietnamese elements withdrew from the Bolovens Plateau area during the last rainy season, and there has been no evidence of their return.

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[redacted] the situation in the area has been quiet, in part as a consequence of arrangements between government army commanders and their Communist counterparts.

[It is too early to determine whether the attack on Attopeu is the harbinger of an important]

[shift in Communist strategy in Laos or represents only the kind of sporadic flareup that has occurred in the south in past years. At a minimum, it is a fresh reminder of the extreme fragility of the government's position in all of southern Laos, and of the relative ease with which North Vietnamese troops can move west out of the infiltration corridor to strike at a time and place of their own choosing.]

The military situation in the north has remained essentially stable during the past 24 hours.

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West Germany: West German economic analysts now expect boom conditions to continue throughout the year, with inflationary pressures intensifying.

West German economic research authorities have projected economic growth this year at 12 percent, a sharp upward revision of their previous forecast of 8.5 percent. Contrary to earlier predictions of a gradual slowdown in economic activity toward the end of the year, the authorities now foresee an increase in the rate of growth in the second half of 1970. The renewed upswing in domestic and export orders booked by German industry, which reversed the decline of last fall, lends support to the revised estimates.

Price increases account for more than half of the anticipated growth in gross national product. Consumer prices now are expected to rise four percent, and those of industrial goods six to seven percent. These estimates may be conservative. The danger of a wage-price spiral is intensifying. Union wage demands substantially exceed increases in labor productivity, but as long as cost increases can be passed along in higher prices, management is loath to risk a strike.

The monetary authorities thus far have carried the major burden of the government's anti-inflationary policy. With price pressures intensifying, however, the government may be forced to take additional fiscal action to restrain the clearly excessive demand.

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Yugoslavia: The economy continued to expand during the first quarter of 1970.

Industrial production was 11 percent greater than during the first quarter of 1969. Growth was broadly distributed among industrial branches, and business firms were successful in reducing stocks of finished goods in line with government policy.

The foreign trade balance also markedly improved. Exports, particularly of industrial products, were up substantially from the first quarter of last year. The good showing was partly because of abnormally low exports in January-March 1969 and because of the export of five ships in January-February 1970. Imports increased only moderately, but will probably rise sharply if the economic boom continues. The balance of payments in 1970, however, is likely to improve because of continued increases in receipts from tourism and remittances from workers abroad.

Overheating of the economy is posing problems for internal price stability. Industrial wholesale prices increased as much in the first quarter of 1970 as in all of 1969. Continued boom conditions may require new anti-inflationary measures this year. Thus far, however, Yugoslav policy remains cautiously expansionary, combining credit restrictions on enterprises that are in debt and on marginal investment projects with expanded credit for foreign construction projects and exports.

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Arms Control: The Geneva disarmament talks recess today, concluding ten weeks of sessions marked by a frustrating lack of progress on the key issues.

On the seabeds treaty, the US and the USSR have presented a revised joint draft that takes most of the criticism raised over the past year into account. Some influential member nations, however, may withhold their endorsement pending Soviet acceptance of additional procedures for verifying compliance with the treaty's limits on military utilization of the ocean floor. A stalemate on this issue would pose problems for the treaty should it come up for consideration by the UN General Assembly and its seabeds committee without a Geneva endorsement.

There has been no movement toward agreement on either the Soviet draft CBW convention or the British draft BW convention. Most of the 25 countries represented at the Geneva talks favor joint action on BW and CW, but continue to regard the Soviet draft as lacking in adequate provisions for verification.

The Italians have secured creation of a nine-nation informal working group on general and complete disarmament (GCD) at the talks, but no significant initiatives on this subject are likely. The Soviets have recently indicated a revived interest in GCD, but they do not want it to divert attention from either the seabeds treaty or CBW.

The talks will resume on 16 June, and the conferees hope to adjourn before the fall meeting of the General Assembly. Failure to demonstrate substantial progress in at least one arms control area could perhaps lead to pressure from the nations not represented at the Geneva talks to convene the UN Disarmament Commission. This unwieldy entity, the General Assembly sitting as a committee of the whole, would probably be a focal point for grievances against the superpowers on arms issues.

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Canada: Ottawa's response to the US proposal for an international conference on the Arctic indicates that it has not ruled out the idea, but that the subject matter and participation need resolution before it will attend.

In a note handed to US Embassy officials on Tuesday, the Canadians seemed particularly interested in what the US means by the phrase "an international regime for Arctic areas beyond national jurisdiction." This is meant to convey Ottawa's opposition to terms of reference for a conference that imply that the Arctic areas covered by the pollution legislation are outside Canadian national jurisdiction.

The note also took issue with the criteria suggested by the US for countries participating in the conference--Arctic nations and major "shipping flag" states. It called for the inclusion of Latin American states, contending that their ecological interests would be among the first to be affected by serious pollution in the Arctic. The Canadian officials who delivered the note also mentioned "other archipelago states"--a reference to countries such as Indonesia and the Philippines, which might be sympathetic to Canada's position.

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Trinidad: The government has yet to bring the rebellious regiment under firm control.

Despite the surface calm throughout the country, the rebels retain the bulk of their arms and still control the military arsenal at their base about 12 miles from the capital. The government's new regimental commander is negotiating with the rebels, who apparently fear that troops will attack them if they lay down their weapons. A committee of inquiry investigating rebel complaints about conditions in the regiment is due to report today, and its recommendations could lead to a negotiated settlement.

The government, meanwhile, is continuing its efforts to secure additional armament for its loyal forces [redacted]

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[redacted] The government's lack of confidence in its ability to resolve the issue, however, must be apparent to the dissidents, and as long as they retain their arms, the potential for further difficulties exists. The government remains apprehensive that some of the mutineers will escape from the surrounded base and link up with black power agitators in the cities. [redacted]

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Tunisia: Leaders of the ruling Destourian Socialist Party are vying more actively for supremacy.

President Bourguiba's pre-eminent position has been eroded by his prolonged illness and extended convalescence in France as well as by his insistence on prosecuting Ahmed ben Salah, the former economic chief now accused of treason. Bourguiba's public criticism last month of Prime Minister Ladgham, whom he had earlier tapped as his successor, appears to have undermined Ladgham's authority and encouraged factionalism within the party.

To buttress his now tenuous position, Ladgham last week convoked the central committee of the party, which includes all senior leaders, and after lengthy debate obtained a strong endorsement of his handling of his job. In addition to this vote of confidence, Ladgham probably also sought backing on the issue of the impending Ben Salah trial.

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North Korea - USSR: Soviet First Deputy Defense Minister Zakharov's visit to Pyongyang appears to be an attempt by both sides to emphasize friendly Soviet-Korean relations following Chou En-lai's recent trip to North Korea and the attendant warming in Sino-Korean relations. Premier Kim Il-song underscored the Korean attitude by having a "friendly conversation" with Zakharov, the highest-level Soviet military visitor to Pyongyang in recent years. Although the subject of Zakharov's talks with the North Koreans has not been revealed, the Soviet military aid program probably figured prominently on the agenda.

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Czechoslovakia: The Slovak government yesterday named four new ministers to tighten control over its economy. Similar restorations of control over economic activity were previously made at the federal level and in the Czech regional government. The appointees all held responsible economic positions in Slovakia during the final years of the Novotny era (1966-67). This suggests that their experience will be used to return to a situation in which the Slovak economy is strictly controlled and significant investments are gradually made by the central government in Prague. These shifts will not affect the Slovak power base of party leader Husak.

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East Germany - West Germany: Pankow's widening trade deficit with West Germany has made the receipt of additional new credits essential if trade is to increase substantially this year. Bad winter weather in East Germany has reduced prospects for agricultural exports and has hampered deliveries of manufactured goods. Increased East German purchases financed by West German credit last year permitted trade to reach the record level of \$1 billion. Despite their high level of indebtedness, the East Germans are seeking an additional swing credit, which the Federal Government has thus far been unwilling to provide, or a postponement of payments to major West German suppliers to permit continued purchases.

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Dahomey: The three key civilian leaders--Maga, Apithy, and Ahomadegbe--apparently have agreed on a compromise that will return Dahomey to civilian rule following more than four months of military control. Hubert Maga, a northerner who was the country's first president, reportedly will be the first of the three to hold the rotating presidency of a three-man presidential council, which is the key element in the compromise. The agreement resulted from severe military pressure on the civilian politicians. It remains to be seen, however, whether the new government will survive the deep-seated animosities and competing ambitions of its members and their followers.

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